

Statement of Representative Pete Stark Supporting an Increase in the Minimum Wage

Tuesday, 09 January 2007

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Madam Speaker, I rise today in strong support of H.R. 2, the Fair Minimum Wage Act. For far too long, working class Americans have been struggling to make ends meet at \$5.15 an hour, a wage that leaves a family of three more than \$6,000 below the poverty line. Today we can make a real difference in the lives of millions of Americans by increasing the minimum wage to \$7.25 an hour.

In 1997, the last time the minimum wage was raised, \$5.15 went a lot further than it does today. A gallon of gas cost \$1.27 and a loaf of bread was only \$0.88. It may not seem to most like \$2.29 for a gallon of gas or \$1.14 for a loaf of bread is too much, but tell that to the minimum wage worker with gross weekly income of only \$206. They still have to drive to work and put food on the table, which is nearly impossible at \$5.15 an hour without multiple incomes or a second job.

For years, states have responded to the inadequacy of the federal minimum wage by passing higher minimum wages. Those states haven't lost employers or faced higher than normal unemployment because of higher minimum wages. Small businesses in California, for example, haven't gone broke because of the high state minimum wage. The argument that small businesses can't afford to pay the minimum wage is fallacy. Organizations making that argument are probably paying a lot more than \$7.25 an hour to their snake oil salesmen.

Some argue that increasing the minimum wage is paramount to the government engaging in class warfare. One of the richest men in the world, Warren Buffet, doesn't see it that way. "There's class warfare, all right," Mr. Buffett said, "but it's my class, the rich class, that's making war, and we're winning." Failure to pass a minimum wage increase would be a huge victory in the class warfare by the wealthy against hard working Americans.

Since 1997, Members of Congress have increased our salaries by 24 percent. We can't look our hard working constituents in the eye and honestly say we deserve big pay raises and they don't. Today we can give a raise to someone other than ourselves for a change and have a positive impact on millions of working poor in this country. I strongly urge all my colleagues to vote yes on H.R. 2.

Madam Speaker, I'd also ask that the following article from the January 10 edition of the Washington Post be printed in the record.

Minimum Wage, Maximum Myth

By Steven Pearlstein

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With Wall Street hot shots and corporate chiefs raking in obscene amounts of money, and with pay in the bottom half of the workforce barely keeping up with inflation, you'd think raising the minimum wage for the first time in a decade would be a political and economic no-brainer for the new Democratic Congress.

But you'd be forgetting about Max Baucus.

Baucus is a Democratic senator from the Republican-leaning state of Montana, which means he is on the political equivalent of the endangered-species list. So you can understand Baucus's need to vote with his constituents on things like sugar subsidies and gun control and grazing fees on public lands.

But while Baucus is surely entitled to his opinions, and entitled to do what is necessary to assure his own political survival, he is not entitled to be chairman of the Senate Finance Committee, which handles such key Democratic issues as health care, trade and tax policy. That position ought to be reserved for a statesman with enough political confidence and backbone that he isn't constantly sacrificing the interests of his party and his country to the narrow interests of his subsidy-addicted constituents.

You'd think Baucus would have learned his lesson in 2001, when he won the enmity of Democrats everywhere by striking the deal that led to passage of the Bush tax cuts, including the phase-out of the estate tax. Apparently not. For on the very day the new Democratic House is set to push through a long-overdue minimum-wage increase, over in the Senate, Baucus has called a hearing on how to offset the "economic hardship" caused by the higher minimum wage with yet another round of business tax breaks.

Consider, for a moment, the economic logic that lies behind Baucus's hearing this morning, when senators will hear from a panel of witnesses that includes Dave Ratner, owner of Dave's Soda & Pet City in Agawam, Mass.

No doubt Ratner and the others will point out that workers making at or near the federal minimum wage are nearly all employed by small businesses. We will hear all the sob stories about how struggling small businesses with thin margins will be forced to cut back on hiring, pull back on expansion plans and, in some instances, close their doors. Moreover, this won't be a tragedy just for small-business owners and employees but for the economy as a whole, since everybody knows that small business creates virtually all new jobs. Only another round of tax breaks can keep the great American jobs machine humming.

And here's the thing: Most of it is nonsense.

To begin, both economic theory and history suggest that small business will, in time, pass on its increased costs to its consumers. Small businesses that pay low wages tend to compete with other small businesses that pay low wages, so they will all face the same cost pressures and respond in similar fashion. The worst that can be said is that a higher minimum wage will add, very modestly, to overall inflation.

There is also general agreement among economists that a higher minimum wage, at the levels we are talking about, will have a minimal impact on adult employment. Slightly higher prices might reduce, slightly, the demand for Wendy's hamburgers, cheap hotel rooms and dog-walking services. But largely offsetting those effects will be the increased demand for goods and services by tens of millions of Americans who will finally be getting a raise. A higher minimum wage doesn't lower economic activity so much as rearrange it slightly.

The biggest lie of all is that small businesses have created most of the new jobs in America. This canard, perpetrated by the small-business lobby and embraced by politicians of both parties, has been used for decades to justify all manner of special subsidies for small business. But as economist Veronique de Rugy of the American Enterprise Institute reported in a paper last year, new jobs have been created by both large and small businesses in roughly the same proportion.

In truth, the bulk of new jobs have always been created by a relatively small number of new firms that grow fast and get quite big -- think of companies like Southwest Airlines, Google, CarMax. Most have little in common with the small-business lobby in Washington or fast-food restaurant chains or the members of the Kiwanis Club in Helena, Mont. As a rule, companies like these couldn't care less about the minimum wage or special tax breaks to offset it.

Linking the minimum wage to small-business tax breaks is specious for other reasons, as well.

During the last decade, when inflation-adjusted pay of minimum-wage workers was declining, tax rates for small businesses were also declining, thanks largely to the Bush cuts. If it is now imperative to reduce business taxes when the pay of minimum-wage workers is rising, you have to wonder if there will ever be a time when the small-business lobby thinks it doesn't deserve a tax cut.

It's also worth noting that, according to the Internal Revenue Service, small-business owners, sole proprietors and the self-employed are, as a group, the biggest tax cheats in America, responsible for \$153 billion of the estimated \$345 billion tax gap in 2001. What these folks deserve are more frequent visits from IRS auditors, not more tax breaks.

Real Democrats know that raising the minimum wage is the right thing to do -- economically, politically, morally. The question is why they have chosen a Senate Finance chairman who can't articulate that position without equivocation or apology even before the first vote is cast.